

## SUBCHAPTER D—HUMAN SERVICES

### PARTS 540–541 [RESERVED]

### PART 542—MINIMUM INTERNAL CONTROL STANDARDS

Sec.

- 542.1 What does this part cover?
- 542.2 What are the definitions for this part?
- 542.3 How do I comply with this part?
- 542.4 How do these regulations affect minimum internal control standards established in a Tribal-State compact?
- 542.5 How do these regulations affect state jurisdiction?
- 542.6 Does this part apply to small and charitable gaming operations?
- 542.7 What are the minimum internal control standards for bingo?
- 542.8 What are the minimum internal control standards for pull tabs?
- 542.9 What are the minimum internal control standards for card games?
- 542.10 What are the minimum internal control standards for keno?
- 542.11 What are the minimum internal control standards for pari-mutuel wagering?
- 542.12 What are the minimum internal control standards for table games?
- 542.13 What are the minimum internal control standards for gaming machines?
- 542.14 What are the minimum internal control standards for the cage?
- 542.15 What are the minimum internal control standards for credit?
- 542.16 What are the minimum internal control standards for information technology?
- 542.17 What are the minimum internal control standards for complimentary services or items?
- 542.18 How does a gaming operation apply for a variance from the standards of the part?
- 542.19 What are the minimum internal control standards for accounting?
- 542.20 What is a Tier A gaming operation?
- 542.21 What are the minimum internal control standards for drop and count for Tier A gaming operations?
- 542.22 What are the minimum internal control standards for internal audit for Tier A gaming operations?
- 542.23 What are the minimum internal control standards for surveillance for Tier A gaming operations?
- 542.30 What is a Tier B gaming operation?
- 542.31 What are the minimum internal control standards for drop and count for Tier B gaming operations?
- 542.32 What are the minimum internal control standards for internal audit for Tier B gaming operations?

542.33 What are the minimum internal control standards for surveillance for Tier B gaming operations?

542.40 What is a Tier C gaming operation?

542.41 What are the minimum internal control standards for drop and count for Tier C gaming operations?

542.42 What are the minimum internal control standards for internal audit for Tier C gaming operations?

542.43 What are the minimum internal control standards for surveillance for a Tier C gaming operation?

AUTHORITY: 25 U.S.C. 2702(c), 2706(b)(10).

SOURCE: 67 FR 43400, June 27, 2002, unless otherwise noted.

#### § 542.1 What does this part cover?

This part establishes the minimum internal control standards for gaming operations on Indian land.

#### § 542.2 What are the definitions for this part?

The definitions in this section shall apply to all sections of this part unless otherwise noted.

*Account access card* means an instrument used to access customer accounts for wagering at a gaming machine. Account access cards are used in connection with a computerized account database. Account access cards are not “smart cards.”

*Accountability* means all items of cash, chips, coins, tokens, plaques, receivables, and customer deposits constituting the total amount for which the bankroll custodian is responsible at a given time.

*Accumulated credit payout* means credit earned in a gaming machine that is paid to a customer manually in lieu of a machine payout.

*Actual hold percentage* means the percentage calculated by dividing the win by the drop or coin-in (number of credits wagered). Can be calculated for individual tables or gaming machines, type of table games, or gaming machines on a per day or cumulative basis.

*Ante* means a player’s initial wager or predetermined contribution to the pot before the dealing of the first hand.

*Betting station* means the area designated in a pari-mutuel area that accepts wagers and pays winning bets.

*Betting ticket* means a printed, serially numbered form used to record the event upon which a wager is made, the amount and date of the wager, and sometimes the line or spread (odds).

*Bill acceptor* means the device that accepts and reads cash by denomination in order to accurately register customer credits.

*Bill acceptor canister* means the box attached to the bill acceptor used to contain cash received by bill acceptors.

*Bill acceptor canister release key* means the key used to release the bill acceptor canister from the bill acceptor device.

*Bill acceptor canister storage rack key* means the key used to access the storage rack where bill acceptor canisters are secured.

*Bill acceptor drop* means cash contained in bill acceptor canisters.

*Bill-in meter* means a meter included on a gaming machine accepting cash that tracks the number of bills put in the machine.

*Boxperson* means the first-level supervisor who is responsible for directly participating in and supervising the operation and conduct of a craps game.

*Breakage* means the difference between actual bet amounts paid out by a racetrack to bettors and amounts won due to bet payments being rounded up or down. For example, a winning bet that should pay \$4.25 may be actually paid at \$4.20 due to rounding.

*Cage* means a secure work area within the gaming operation for cashiers and a storage area for the gaming operation bankroll.

*Cage accountability form* means an itemized list of the components that make up the cage accountability.

*Cage credit* means advances in the form of cash or gaming chips made to customers at the cage. Documented by the players signing an IOU or a marker similar to a counter check.

*Cage marker form* means a document, signed by the customer, evidencing an extension of credit at the cage to the customer by the gaming operation.

*Calibration module* means the section of a weigh scale used to set the scale to

a specific amount or number of coins to be counted.

*Call bets* means a wager made without cash or chips, reserved for a known customer and includes marked bets (which are supplemental bets made during a hand of play). For the purpose of settling a call bet, a hand of play in craps is defined as a natural winner (e.g., seven or eleven on the come-out roll), a natural loser (e.g., a two, three or twelve on the come-out roll), a seven-out, or the player making his point, whichever comes first.

*Card game* means a game in which the gaming operation is not party to wagers and from which the gaming operation receives compensation in the form of a rake, a time buy-in, or other fee or payment from a player for the privilege of playing.

*Card room bank* means the operating fund assigned to the card room or main card room bank.

*Cash-out ticket* means an instrument of value generated by a gaming machine representing a cash amount owed to a customer at a specific gaming machine. This instrument may be wagered at other machines by depositing the cash-out ticket in the machine bill acceptor.

*Chips* means cash substitutes, in various denominations, issued by a gaming operation and used for wagering.

*Coin-in meter* means the meter that displays the total amount wagered in a gaming machine that includes coins-in and credits played.

*Coin meter count machine* means a device used in a coin room to count coin.

*Coin room* means an area where coins and tokens are stored.

*Coin room inventory* means coins and tokens stored in the coin room that are generally used for gaming machine department operation.

*Commission* means the National Indian Gaming Commission.

*Complimentary* means a service or item provided at no cost, or at a reduced cost, to a customer.

*Count* means the total funds counted for a particular game, gaming machine, shift, or other period.

*Count room* means a room where the coin and cash drop from gaming machines, table games, or other games are transported to and counted.

*Count team* means personnel that perform either the count of the gaming machine drop and/or the table game drop.

*Counter check* means a form provided by the gaming operation for the customer to use in lieu of a personal check.

*Counter Game* means a game in which the gaming operation is a party to wagers and wherein the gaming operation documents all wagering activity. The term includes, but is not limited to, bingo, keno, and pari-mutuel race books. The term does not include table games, card games and gaming machines.

*Credit* means the right granted by a gaming operation to a customer to defer payment of debt or to incur debt and defer its payment.

*Credit limit* means the maximum dollar amount of credit assigned to a customer by the gaming operation.

*Credit slip* means a form used to record either:

- (1) The return of chips from a gaming table to the cage; or
- (2) The transfer of IOUs, markers, or negotiable checks from a gaming table to a cage or bankroll.

*Customer deposits* means the amounts placed with a cage cashier by customers for the customers' use at a future time.

*Deal* means a specific pull tab game that has a specific serial number associated with each game.

*Dealer* means an employee who operates a game, individually or as a part of a crew, administering house rules and making payoffs.

*Dedicated camera* means a video camera required to continuously record a specific activity.

*Deskman* means a person who authorizes payment of winning tickets and verifies payouts for keno games.

*Draw ticket* means a blank keno ticket whose numbers are punched out when balls are drawn for the game. Used to verify winning tickets.

*Drop (for gaming machines)* means the total amount of cash, cash-out tickets, coupons, coins, and tokens removed from drop buckets and/or bill acceptor canisters.

*Drop (for table games)* means the total amount of cash, chips, and tokens re-

moved from drop boxes, plus the amount of credit issued at the tables.

*Drop box* means a locked container affixed to the gaming table into which the drop is placed. The game type, table number, and shift are indicated on the box.

*Drop box contents keys* means the key used to open drop boxes.

*Drop box release keys* means the key used to release drop boxes from tables.

*Drop box storage rack keys* means the key used to access the storage rack where drop boxes are secured.

*Drop bucket* means a container located in the drop cabinet (or in a secured portion of the gaming machine in coinless/cashless configurations) for the purpose of collecting coins, tokens, cash-out tickets, and coupons from the gaming machine.

*Drop cabinet* means the wooden or metal base of the gaming machine that contains the gaming machine drop bucket.

*Drop period* means the period of time that occurs between sequential drops.

*Earned and unearned take* means race bets taken on present and future race events. Earned take means bets received on current or present events. Unearned take means bets taken on future race events.

*EPROM* means erasable program-mable read-only memory or other equivalent game software media.

*Fill* means a transaction whereby a supply of chips, coins, or tokens is transferred from a bankroll to a table game or gaming machine.

*Fill slip* means a document evidencing a fill.

*Flare* means the information sheet provided by the manufacturer that sets forth the rules of a particular pull tab game and that is associated with a specific deal of pull tabs. The flare shall contain the following information:

- (1) Name of the game;
- (2) Manufacturer name or manufacturer's logo;
- (3) Ticket count; and
- (4) Prize structure, which shall include the number of winning pull tabs by denomination, with their respective winning symbols, numbers, or both.

*Future wagers* means bets on races to be run in the future (e.g., Kentucky Derby).

*Game server* means an electronic selection device, utilizing a random number generator.

*Gaming machine* means an electronic or electromechanical machine that allows a player to play games of chance, some of which may be affected by skill, which contains a microprocessor with random number generator capability for outcome selection or computer terminal that accesses an outcome that is subsequently and randomly selected in drawings that are electronically conducted by central computer or other such methods of chance selection, whether mechanical or electronic. The machine is activated by the insertion of cash or cash equivalents and which awards cash, cash equivalents, merchandise, or a written statement of the player's accumulated credits, which written statements may be redeemable for cash.

*Gaming machine analysis report* means a report prepared that compares theoretical to actual hold by a gaming machine on a monthly or other periodic basis.

*Gaming machine booths and change banks* means a booth or small cage in the gaming machine area used to provide change to players, store change aprons and extra coin, and account for jackpot and other payouts.

*Gaming machine count* means the total amount of coins, tokens, and cash removed from a gaming machine. The amount counted is entered on the Gaming Machine Count Sheet and is considered the drop. Also, the procedure of counting the coins, tokens, and cash or the process of verifying gaming machine coin and token inventory.

*Gaming machine pay table* means the reel strip combinations illustrated on the face of the gaming machine that can identify payouts of designated coin amounts.

*Gaming operation accounts receivable (for gaming operation credit)* means credit extended to gaming operation customers in the form of markers, returned checks, or other credit instruments that have not been repaid.

*Gross gaming revenue* means annual total amount of cash wagered on class II and class III games and admission fees (including table or card fees), less

any amounts paid out as prizes or paid for prizes awarded.

*Hold* means the relationship of win to coin-in for gaming machines and win to drop for table games.

*Hub* means the person or entity that is licensed to provide the operator of a pari-mutuel wagering operation information related to horse racing that is used to determine winners of races or payoffs on wagers accepted by the pari-mutuel wagering operation.

*Internal audit* means persons who perform an audit function of a gaming operation that are independent of the department subject to audit. Independence is obtained through the organizational reporting relationship, as the internal audit department shall not report to management of the gaming operation. Internal audit activities should be conducted in a manner that permits objective evaluation of areas examined. Internal audit personnel may provide audit coverage to more than one operation within a Tribe's gaming operation holdings.

*Issue slip* means a copy of a credit instrument that is retained for numerical sequence control purposes.

*Jackpot payout* means the portion of a jackpot paid by gaming machine personnel. The amount is usually determined as the difference between the total posted jackpot amount and the coins paid out by the machine. May also be the total amount of the jackpot.

*Lammer button* means a type of chip that is placed on a gaming table to indicate that the amount of chips designated thereon has been given to the customer for wagering on credit before completion of the credit instrument. Lammer button may also mean a type of chip used to evidence transfers between table banks and card room banks.

*Linked electronic game* means any game linked to two (2) or more gaming operations that are physically separate and not regulated by the same Tribal gaming regulatory authority.

*Main card room bank* means a fund of cash, coin, and chips used primarily for poker and pan card game areas. Used to make even cash transfers between various games as needed. May be used

similarly in other areas of the gaming operation.

*Marker* means a document, signed by the customer, evidencing an extension of credit to him by the gaming operation.

*Marker credit play* means that players are allowed to purchase chips using credit in the form of a marker.

*Marker inventory form* means a form maintained at table games or in the gaming operation pit that are used to track marker inventories at the individual table or pit.

*Marker transfer form* means a form used to document transfers of markers from the pit to the cage.

*Master credit record* means a form to record the date, time, shift, game, table, amount of credit given, and the signatures or initials of the persons extending the credit.

*Master game program number* means the game program number listed on a gaming machine EPROM.

*Master game sheet* means a form used to record, by shift and day, each table game's winnings and losses. This form reflects the opening and closing table inventories, the fills and credits, and the drop and win.

*Mechanical coin counter* means a device used to count coins that may be used in addition to or in lieu of a coin weigh scale.

*Meter* means an electronic (soft) or mechanical (hard) apparatus in a gaming machine. May record the number of coins wagered, the number of coins dropped, the number of times the handle was pulled, or the number of coins paid out to winning players.

*MICS* means minimum internal control standards in this part 542.

*Motion activated dedicated camera* means a video camera that, upon its detection of activity or motion in a specific area, begins to record the activity or area.

*Multi-game machine* means a gaming machine that includes more than one type of game option.

*Multi-race ticket* means a keno ticket that is played in multiple games.

*On-line gaming machine monitoring system* means a system used by a gaming operation to monitor gaming machine meter readings and/or other activities on an on-line basis.

*Order for credit* means a form that is used to request the transfer of chips or markers from a table to the cage. The order precedes the actual transfer transaction that is documented on a credit slip.

*Outstation* means areas other than the main keno area where bets may be placed and tickets paid.

*Par percentage* means the percentage of each dollar wagered that the house wins (i.e., gaming operation advantage).

*Par sheet* means a specification sheet for a gaming machine that provides machine hold percentage, model number, hit frequency, reel combination, number of reels, number of coins that can be accepted, and reel strip listing.

*Pari-mutuel wagering* means a system of wagering on horse races, jai-alai, greyhound, and harness racing, where the winners divide the total amount wagered, net of commissions and operating expenses, proportionate to the individual amount wagered.

*Payment slip* means that part of a marker form on which customer payments are recorded.

*Payout* means a transaction associated with a winning event.

*PIN* means the personal identification number used to access a player's account.

*Pit podium* means a stand located in the middle of the tables used by gaming operation supervisory personnel as a workspace and a record storage area.

*Pit supervisor* means the employee who supervises all games in a pit.

*Player tracking system* means a system typically used in gaming machine departments that can record the gaming machine play of individual customers.

*Post time* means the time when a pari-mutuel track stops accepting bets in accordance with rules and regulations of the applicable jurisdiction.

*Primary and secondary jackpots* means promotional pools offered at certain card games that can be won in addition to the primary pot.

*Progressive gaming machine* means a gaming machine, with a payoff indicator, in which the payoff increases as it is played (i.e., deferred payout). The payoff amount is accumulated, displayed on a machine, and will remain until a player lines up the jackpot

symbols that result in the progressive amount being paid.

*Progressive jackpot* means deferred payout from a progressive gaming machine.

*Progressive table game* means table games that offer progressive jackpots.

*Promotional payout* means merchandise or awards given to players by the gaming operation based on a wagering activity.

*Promotional progressive pots and/or pools* means funds contributed to a table game or card game by and for the benefit of players. Funds are distributed to players based on a predetermined event.

*Rabbit ears* means a device, generally V-shaped, that holds the numbered balls selected during a keno or bingo game so that the numbers are visible to players and employees.

*Rake* means a commission charged by the house for maintaining or dealing a game such as poker.

*Rake circle* means the area of a table where rake is placed.

*Random number generator* means a device that generates numbers in the absence of a pattern. May be used to determine numbers selected in various games such as keno and bingo. Also commonly used in gaming machines to generate game outcome.

*Reel symbols* means symbols listed on reel strips of gaming machines.

*Rim credit* means extensions of credit that are not evidenced by the immediate preparation of a marker and does not include call bets.

*Runner* means a gaming employee who transports chips/cash to or from a gaming table and a cashier.

*SAM* means a screen-automated machine used to accept pari-mutuel wagers. SAM's also pay winning tickets in the form of a voucher, which is redeemable for cash.

*Series number* means the unique identifying number printed on each sheet of bingo paper that identifies the bingo paper as a series or packet. The series number is not the free space or center space number located on the bingo paper.

*Shift* means an eight-hour period, unless otherwise approved by the Tribal gaming regulatory authority, not to exceed twenty-four (24) hours.

*Shill* means an employee financed by the house and acting as a player for the purpose of starting or maintaining a sufficient number of players in a game.

*Short pay* means a payoff from a gaming machine that is less than the listed amount.

*Soft count* means the count of the contents in a drop box or a bill acceptor canister.

*Statistical drop* means total amount of money, chips and tokens contained in the drop boxes, plus pit credit issued, minus pit credit payments in cash in the pit.

*Statistical win* means closing bankroll, plus credit slips for cash, chips or tokens returned to the cage, plus drop, minus opening bankroll, minus fills to the table, plus marker credits.

*Sufficient clarity* means use of monitoring and recording at a minimum of twenty (20) frames per second. Multiplexer tape recordings are insufficient to satisfy the requirement of sufficient clarity.

*Surveillance room* means a secure location(s) in a gaming operation used primarily for casino surveillance.

*Surveillance system* means a system of video cameras, monitors, recorders, video printers, switches, selectors, and other ancillary equipment used for casino surveillance.

*Table games* means games that are banked by the house or a pool whereby the house or the pool pays all winning bets and collects from all losing bets.

*Table inventory* means the total coins, chips, and markers at a table.

*Table inventory form* means the form used by gaming operation supervisory personnel to document the inventory of chips, coins, and tokens on a table at the beginning and ending of a shift.

*Table tray* means the container located on gaming tables where chips, coins, or cash are stored that are used in the game.

*Take* means the same as earned and unearned take.

*Theoretical hold* means the intended hold percentage or win of an individual gaming machine as computed by reference to its payout schedule and reel strip settings or EPROM.

*Theoretical hold worksheet* means a worksheet provided by the manufacturer for all gaming machines that indicate the theoretical percentages that the gaming machine should hold based on adequate levels of coin-in. The worksheet also indicates the reel strip settings, number of credits that may be played, the payout schedule, the number of reels and other information descriptive of the particular type of gaming machine.

*Tier A* means gaming operations with annual gross gaming revenues of more than \$1 million but not more than \$5 million.

*Tier B* means gaming operations with annual gross gaming revenues of more than \$5 million but not more than \$15 million.

*Tier C* means gaming operations with annual gross gaming revenues of more than \$15 million.

*Tokens* means a coin-like cash substitute, in various denominations, used for gambling transactions.

*Tribal gaming regulatory authority* means the tribally designated entity responsible for gaming regulation.

*Vault* means a secure area within the gaming operation where tokens, checks, cash, coins, and chips are stored.

*Weigh/count* means the value of coins and tokens counted by a weigh machine.

*Weigh scale calibration module* means the device used to adjust a coin weigh scale.

*Weigh scale interface* means a communication device between the weigh scale used to calculate the amount of funds included in drop buckets and the computer system used to record the weigh data.

*Weigh tape* means the tape where weighed coin is recorded.

*Wide area progressive gaming machine* means a progressive gaming machine that is linked to machines in other operations and play on the machines affect the progressive amount. As wagers are placed, the progressive meters on all of the linked machines increase.

*Win* means the net win resulting from all gaming activities. Net win results from deducting all gaming losses from all wins prior to considering associated operating expenses.

*Win-to-write hold percentage* means win divided by write to determine hold percentage.

*Wrap* means the method of storing coins after the count process has been completed, including, but not limited to, wrapping, racking, or bagging. May also refer to the total amount or value of the counted and stored coins.

*Write* means the total amount wagered in keno, bingo, pull tabs, and pari-mutuel operations.

*Writer* means an employee who writes keno, bingo, pull tabs, or pari-mutuel tickets. A keno writer usually also makes payouts.

[67 FR 43400, June 27, 2002, as amended at 70 FR 23021, May 4, 2005; 71 FR 27391, May 11, 2006]

### § 542.3 How do I comply with this part?

(a) *Compliance based upon tier.* (1) Tier A gaming operations must comply with §§ 542.1 through 542.18, and §§ 542.20 through 542.23.

(2) Tier B gaming operations must comply with §§ 542.1 through 542.18, and §§ 542.30 through 542.33.

(3) Tier C gaming operations must comply with §§ 542.1 through 542.18, and §§ 542.40 through 542.43.

(b) *Determination of tier.* (1) The determination of tier level shall be made based upon the annual gross gaming revenues indicated within the gaming operation's audited financial statements. Gaming operations moving from one tier to another shall have nine (9) months from the date of the independent certified public accountant's audit report to achieve compliance with the requirements of the new tier.

(2) The Tribal gaming regulatory authority may extend the deadline by an additional six (6) months if written notice is provided to the Commission no later than two weeks before the expiration of the nine (9) month period.

(c) *Tribal internal control standards.* Within six (6) months of June 27, 2002, each Tribal gaming regulatory authority shall, in accordance with the Tribal gaming ordinance, establish and implement tribal internal control standards that shall: